



Tackling High Unemployment



But what is...?

Frictional unemployment arises when people move between jobs, careers or locations. There is always some level of frictional unemployment.

Structural unemployment is when workers have the wrong skills for the needs of the economy. There can be many reasons why workers may be unwilling or unable to acquire new skills.

Cyclical unemployment is unemployment due to a recession, as consumers and firms cut back on spending (inadequate demand).

Labor mobility describes the ease with which workers can move either geographically or from one occupation to another.

Europe 2020 is the EU's growth and jobs strategy for the coming decade.

High unemployment rates can arise due to recessions or structural factors like regulations or tax policy. Either way, high unemployment hurts growth and living standards. Unemployment rates in several euro area countries have been slow to recover following the global financial crisis. How did unemployment get so high in these countries in the first place? Why aren't labor markets improving more rapidly now? What can be done to promote job growth?

- ① What exactly does the unemployment rate measure? What is the difference between the unemployment rate and the employment rate? What are those rates in your chosen country? What other labor market indicators are important?
- ② What are the different types of unemployment? Which type is more important in your chosen country? Why is it important to distinguish between structural and cyclical unemployment?
- ③ Have job losses been concentrated in certain sectors of the economy? Where is your country's comparative advantage?
- ④ Is the unemployment rate higher for certain groups in your chosen country? What do high levels of youth unemployment imply for future growth? What policies can help to address this problem?
- ⑤ Do unemployment benefits, taxes on labor have an impact on workers and companies? What can be done to help the unemployed find jobs and companies attract workers?
- ⑥ What is meant by "labor market flexibility"? Are there impediments to hiring and firing in your chosen country?
- ⑦ Is labor mobility high or low in your chosen country? Is this an issue in your chosen country?
- ⑧ Do workforce skills and educational attainment correspond with the needs of businesses in your chosen country? If not, what can be done about this?
- ⑨ How can the Europe 2020 strategy help raise employment rates in the EU? What does your chosen country plan to do under Europe 2020?
- ⑩ What is the relationship between labor markets and inflation? What does "full employment" mean? Is there anything the ECB can do to lower unemployment in the long term?